

Assembly Bill No. 2570

Passed the Assembly August 31, 2006

Chief Clerk of the Assembly

Passed the Senate August 31, 2006

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2006, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Sections 7504.5, 13984.3, and 13984.5 to the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 2570, Arambula. Community investment.

Existing law requires that each state and local retirement system submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year.

This bill would require public retirement systems with assets over \$4,000,000,000 to provide specified information regarding investments it obtains on and after July 1, 2007, and holds in its portfolio regarding California investments, as defined, and emerging domestic market investments, as defined. This bill would specify that investments be reported by asset class, fair market value, and percentage of total portfolio.

This bill would state legislative declarations regarding institutional investors, including public pension funds.

This bill would also state the Legislature's intent that, consistent with their plenary authority and fiduciary responsibilities, other retirement systems with sufficiently diversified portfolios adopt emerging domestic market investment policies that meet their own unique investment objectives.

Existing law vests the Secretary of Business, Transportation and Housing with various administrative duties and functions.

This bill would require the secretary to establish a statewide cooperative partnership with business, industry, investment, and community development sectors to develop a strategy to attract new private investment into the state. This bill would further require the secretary to consult with key private investment partners to assist in the development and implementation of the strategy.

This bill would also require the secretary to submit the strategy to the Legislature and the Governor by February 15, 2008, and to update the strategy at least every 5 years.

The people of the State of California do enact as follows:

SECTION 1. Section 7504.5 is added to the Government Code, to read:

7504.5. (a) In addition to its annual audited financial statement submitted to the Controller pursuant to subdivision (c) of Section 7504, each state and local public retirement system with assets over \$4 billion shall include a report on California investments, as defined in paragraph (1) of subdivision (c) of Section 13984.5, and emerging domestic market investments, as defined in paragraph (2) of subdivision (c) of Section 13984.5, that it obtains on and after July 1, 2007, and holds in its portfolio. Investments by asset class shall be reported by fair market value and percentage of the total portfolio.

(b) A state or local public retirement system may elect to satisfy the reporting requirements of this section by reporting on its total portfolio rather than only those investments made after July 1, 2007, if information is provided and identified consistently with the definitions in subdivision (c) of Section 13984.5.

SEC. 2. Section 13984.3 is added to the Government Code, to read:

13984.3. (a) The Secretary of Business, Transportation and Housing shall establish a statewide cooperative partnership with the business, industry, investment, and community development sectors to develop a strategy to attract new private investment to the state.

(b) (1) In addition to any other group or entity that the secretary chooses to consult in preparation of the private investment strategy developed pursuant to subdivision (a), the secretary shall consult with key private investment partners to assist in the development and implementation of the strategy.

(2) “Key private investment partners” include, but are not limited to, representatives from the banking and insurance industries, foundations, corporate and public pension funds, venture capital funds, community development financial institutions, and community development corporations. “Key private investments partners” may include foreign and out-of-state, as well as California based entities.

(3) The agency shall use the California Economic Development Strategic Plan prepared pursuant to Section 15570 to facilitate the development of the implementation strategy.

(c) The implementation strategy shall do the following:

(1) Assess current trends and opportunities in global and domestic investment practices.

(2) Assess who are the major asset managers by investment types.

(3) Assess how the state can be a greater recipient of foreign and domestic investment including, but not limited to, key California businesses and industries, and areas of the state with capital needs that have been historically unmet, also known as emerging domestic markets.

(4) Include a discussion on how the state could establish a cooperative private investment marketing campaign.

(5) Make recommendations for changes, if any, in applicable regulations and statutes.

(6) Make any other recommendations that the advisory committee determines are relevant.

(7) Identify opportunities to facilitate community-based efforts to revitalize low-income neighborhoods in the state.

(8) Assess how the state can utilize New Markets Tax Credits and venture capital guarantees to facilitate wealth creation and low-income neighborhood revitalization.

(d) The secretary may hold business roundtables, conferences, and use other devices the agency deems appropriate to engage leaders in the business, industry, investment, and community development sectors to develop the implementation strategy.

(e) The secretary shall submit the private investment strategy to the Legislature and the Governor by February 15, 2008. The private investment strategy may be part of, or at least consistent with, the California Economic Development Strategic Plan prepared pursuant to Section 15570, and updated at least every five years.

SEC. 3. Section 13984.5 is added to the Government Code, to read:

13984.5. (a) The Legislature finds and declares that investments in emerging domestic markets can provide appropriate risk-adjusted returns to institutional investors including public pension funds. In 2000, the boards for

administration for CalPERS and CalSTRS each adopted a 2-percent goal for investments in emerging domestic markets. These investments have, first, created value for the members of their retirement system, and second, increased access to financial capital in historically underserved markets and historically disadvantaged groups of people.

(b) It is the intent of the Legislature that, consistent with their plenary authority and their fiduciary responsibilities under Section 17 of Article XVI of the California Constitution, other retirement systems with sufficient diversified portfolios adopt emerging domestic market investment policies that meet their own unique investment objectives.

(c) For the purposes of this section:

(1) “California investment” means an investment that produces competitive risk-adjusted rates of return while still promoting economic and community development opportunities. In the case of fund-to-fund investments or opportunistic investments, “California investment” may include moneys that are directed under an agreement with the asset manager to be primarily invested in California. “California investment” includes, but is not limited to:

(A) A publicly held company with a headquarters or significant operations in California.

(B) A privately held company that is headquartered in California.

(C) Real estate in California or loans on real estate located in California.

(2) “Emerging domestic market investment” means an investment that produces competitive risk-adjusted rates of return while still promoting economic and community development opportunities to areas of the state that historically have had limited access to capital markets. “Emerging domestic market investment” also means an investment that produces competitive risk-adjusted rates of return while still promoting economic and community development opportunities and which targets groups of people who are historically underserved.

(d) The Economic Strategy Panel shall develop, in consultation with the public pension funds with assets over four billion dollars (\$4,000,000,000), streamlined and cost-effective methods for identifying investments with their portfolios that

meet the definitions of California investment and emerging domestic market investment. The identification methods shall be prepared by October 1, 2007, and updated at least every five years. The definition shall be made available through the Economic Strategy Panel's Internet Web site.

Approved _____, 2006

Governor